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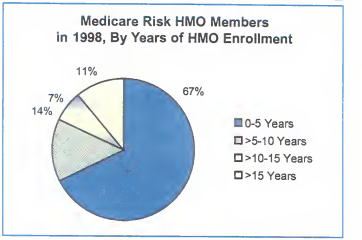
Primary Reasons for Joining HMOs, 1998

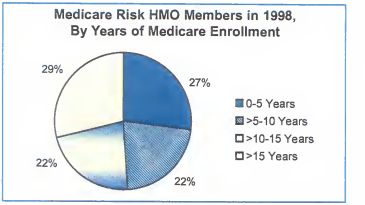
MCBS 1998 data show that while more than 50 percent of risk plan beneficiaries had been enrolled in Medicare for at least ten years, only 18 percent had been enrolled in an HMO for that long. Newer Medicare enrollees were more likely to belong to a Medicare risk plan than those who had been in the program longer. Half of Medicare beneficiaries cited lower expenses as the principal reason for joining an HMO. The 1998 data presented here, while two years old, provide HCFA managers with the best available data upon which to base policy development and program administration decisions.

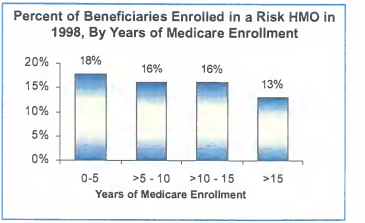
The percentage of Medicare beneficiaries enrolled in Medicare risk HMOs doubled between 1995 and January 1998. Much of this increased enrollment came from beneficiaries who had little prior experience with HMO membership. In the fall of 1998, two-thirds of Medicare risk HMO enrollees reported they had been in HMOs for five years or less.

While the majority of Medicare risk plan members were new to HMOs, they were not new to the Medicare program. In 1998, more than 50 percent of Medicare risk plan members had been enrolled in Medicare for at least ten years.

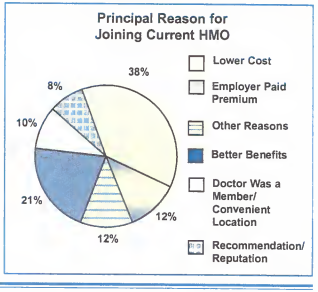
However, recent Medicare enrollees were more likely to belong to Medicare risk plans than long-time enrollees. About 18 percent of those who had been enrolled in Medicare for five years or less in 1998 belonged to risk HMOs, compared to nearly 13 percent of those who had been enrolled for 15 years or more.

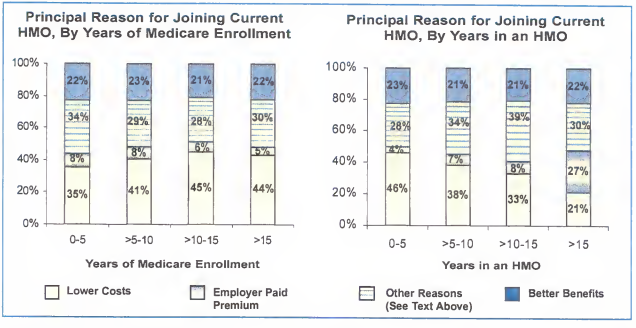






When asked for the principal reason they chose a Medicare risk HMO, most beneficiaries cited either lower cost or better benefits. The third most cited reason was that a current or former employer of the respondent or their spouse was paying the HMO premium. Smaller percentages of beneficiaries cited other reasons for joining including the HMOs' reputation or a recommendation, the doctor's membership in the HMO, or the HMO's convenient location.





Beneficiaries enrolled in Medicare for more than five years were more likely than newer enrollees to cite lower costs as their principal reason for joining their current Medicare risk HMO. Consistent with this trend, newer beneficiaries continued to be the least likely to cite expenses as the principal reason for joining an HMO, even when employer paid premiums were combined with lower costs. Therefore, out-of-pocket expenses were the principal reason for joining an HMO risk plan, regardless of years of Medicare enrollment.

Medicare risk plan members who had a long history of HMO membership were less likely to cite lower costs, but four times as likely to cite employer paid premiums as a reason for joining an HMO. When lower costs and employer paid premiums were combined as a reason beneficiaries cited for joining an HMO, the difference in total out-of-pocket expenses between long-term and short-term HMO enrollees was significantly less.

This issue of MCBS Profiles By: Meredith Aber and Frank Eppig.

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